



ll
Scott's Restaurants Co. Limited



Annual Report—December 29, 1974



Directors and Officers

DIRECTORS

GEORGE R. GARDINER

F. RONALD GRAHAM

WILLIAM J. BUSHNELL

ROBERT A. STEVENS

JOHN J. LEON

JOHN E. COLES

MRS. HELEN D. PHELAN

THE HON. SALTER A. HAYDEN, Q.C.

LEON SIMARD

GEORGE S. MacDONELL

OFFICERS

GEORGE R. GARDINER
Chairman of the Board

F. RONALD GRAHAM
Vice-Chairman of the Board

JOHN J. LEON
President

PETER J. M. BURGER
*Vice President; General Manager
Take-Out Operations — Ontario*

THOMAS W. CHASE
*Vice President; General Manager
Food Service Operations*

MELVILLE W. FANSHAW
*Vice President; General Manager
Take-Out Operations — Quebec*

JAMES G. GIBSON
Vice President; Finance and Treasurer

EDMUND V. GRAHAM
Secretary

Head Office

2000 Jane Street, Weston, Ontario

Solicitors

McCarthy & McCarthy

Registrars and Transfer Agents

Montreal Trust Company

Bankers

The Royal Bank of Canada

Auditors

Campbell, Lawless & Punchard

Listed

Toronto Stock Exchange
Montreal Stock Exchange



Scott's Restaurants Co. Limited

To Our Shareholders:

We are pleased to report that the past year's operation of Scott's Restaurants Co. Limited has, once again, shown continued growth in both sales and profits.

- **1974 sales increased 17.9%** to \$68,131,970.
- **1974 net earnings increased 13.2%** to \$6,098,507, or 73¢ per share.

We have opened 13 additional Kentucky Fried Chicken Take Out Shops in 1974, 8 in the Province of Ontario and 5 in the Province of Quebec.

During 1974 we opened our 100th shop in the Province of Ontario, and in the Province of Quebec our 60th. As at December 29, 1974, the number of Kentucky Fried Chicken Take Out Shops operated by your company were:

- **105 in the Province of Ontario.**
- **60 in the Province of Quebec.**

We are planning to open 30 stores in 1975, the largest number of new openings we have ever attempted. Good progress has been made in this regard. Our position as of March 28, 1975 shows:

- **6 Locations opened.**
- **8 Under construction.**
- **2 sites being finalized.**

Our main problem this past year was the continued costs increase in all phases of our business — raw materials, supplies, utilities and labour. We have endeavoured to counteract this by increased productivity at the store level as well as close control of all overhead expenses in the company.

In addition we maintained our policy of minimizing price increases to our customers which has resulted in increased consumer acceptance of our products.

In looking to the future development of your company the first priority is to open as many new Kentucky Fried Chicken Take Out Operations as our franchise areas can accommodate.

We have also been testing a new type of restaurant which combines a Kentucky Fried Chicken Take Out Operation with a full service dining room of 150-250 seats. We have called this operation Scott's "The Family Place". The results to date have been encouraging to the point that the first of such units is under construction in Montreal and is expected to be in operation by June, 1975.

We have examined the United States market and have concluded that an operation based on "The Family Place" concept could be successful. We are in the process of acquiring property in Miami, Florida for such an operation which should be opened in October, 1975.

The Board of Directors and Management express their thanks to our employees, to our suppliers and above all to our many loyal customers who have contributed to the growth of the company in 1974.



J. J. Leon, President

March 28, 1975.

Consolidated Earnings

Year ended December 29, 1974

	1974	1973
Sales	\$68,131,970	\$57,786,438
Cost of goods sold, operating and administrative expenses	57,733,392	48,615,675
Earnings from operations	10,398,578	9,170,763
Interest income	469,929	168,743
Earnings before income taxes	10,868,507	9,339,506
Provision for income taxes (note 1)	4,770,000	3,950,000
Net earnings for the year	\$ 6,098,507	\$ 5,389,506
Earnings per share	\$.73	\$.64

Consolidated Retained Earnings

Year ended December 29, 1974

	1974	1973
Balance beginning of year	\$15,891,229	\$10,501,723
Net earnings for the year	6,098,507	5,389,506
	21,989,736	15,891,229
Deduct Dividends Paid	2,012,525	—
Balance end of year	\$19,977,211	\$15,891,229

Consolidated Statement of Changes in Financial Position

Year ended December 29, 1974

Source of Funds

	1974	1973
Net earnings	\$6,098,507	\$5,389,506
Add expenses included therein not requiring a current outlay of funds		
Depreciation, and amortization of improvements	1,426,120	1,196,204
Amortization of franchises	127,526	127,526
Deferred income tax	975,056	35,000
Funds received from operations	8,627,209	6,748,236
Common shares issued for cash (employee options)	6,000	63,000
Decrease in mortgages receivable	2,726	—
Mortgages payable	—	54,000
Total funds received	8,635,935	6,865,236

Application of Funds

Purchase of fixed assets	6,222,391	4,280,842
Decrease in mortgages payable	3,530	—
Mortgage receivable	—	225,099
Dividends paid	2,012,525	—
Total of funds expended	8,238,446	4,505,941
Increase in working capital	\$ 397,489	\$2,359,295

Notes to the Consolidated Financial Statements

December 29, 1974

1. ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Scott's Restaurants Co. Limited and its subsidiaries, all wholly owned.

(b) Amortization and Depreciation Policies

The cost of franchises purchased is being amortized over the term of the franchise agreement with Colonel Sanders Kentucky Fried Chicken Ltd. which terminates in 1994. Amortization provided in the year amounted to \$127,526, the same as in 1973.

Depreciation on fixed assets has been provided at the following rates:

Buildings — 5% straight-line; Equipment — 10% straight-line; Motor Vehicles — 30% diminishing balance; Leasehold Improvements — over the unexpired terms of the leases. Depreciation and amortization provided in the year amounted to \$1,426,120 (1973 — \$1,196,204).

(c) Development and pre-opening Expenses

The company's policy is to write off development and pre-opening expenses in the year in which each new store is opened.

(d) Income Taxes

The company follows the tax allocation principle of providing for income taxes whereby deferred income taxes are set up with respect to capital cost allowances claimed for tax purposes in excess of depreciation recorded in the accounts.

2. SHARE CAPITAL

2,000 shares during the year at \$3.00 per share under the company's stock option plan. No options remain outstanding under the plan at the year end.

3. REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate direct remuneration paid by the company to the ten directors as such was \$9,000 and to the six officers as such was \$178,700.

4. INCORPORATION

Scott's Restaurants Co. Limited, the parent company, is incorporated under the laws of Ontario. Its principal subsidiary, Scott's Restaurants (Quebec) Limited, is incorporated under the laws of Quebec.



Combined Statement of Earnings (in thousands of dollars)

NINE YEARS

	1974	1973	1972	1971	1970	1969	1968	1967	1966
Sales	\$68,132	\$57,786	\$46,105	\$38,179	\$30,023	\$18,811	\$11,883	\$9,295	\$6,893
Earnings before depreciation and amortization	11,953	10,494	8,807	7,420	5,431	3,160	1,853	1,198	701
Provision for depreciation and amortization of franchises	1,554	1,324	1,050	846	617	393	250	235	191
Income from Investments	10,399	9,170	7,757	6,574	4,814	2,767	1,603	963	510
Earnings before Income Tax	469	169	78	36	83	82	—	14	11
Income Tax	10,868	9,339	7,835	6,610	4,897	2,849	1,603	977	521
Net Earnings	4,770	3,950	3,800	3,381	2,607	1,512	840	500	265
Earnings per share (after adjusting for the two for one split in 1973)	\$ 6,098	\$ 5,389	\$ 4,035	\$ 3,229	\$ 2,290	\$ 1,337	\$ 763	\$ 477	\$ 256
Number of Employees	73¢	64¢	48¢	39¢	28¢	19¢	12¢	8¢	4¢
Locations in Operation	2,510	2,450	2,140	1,950	1,875	1,525	992	792	791
Kentucky Fried Chicken	165	152	135	115	103	68	33	25	20
Other	34	38	34	38	40	40	38	35	38
Total	199	190	169	153	143	108	71	60	58



"Family Place" — 6455 Jashereau Blvd., Montreal



Scott's Restaurants Co. Limited

Outlets — Ontario

SCOTT'S KENTUCKY FRIED CHICKEN TAKE OUTS ONTARIO

Metropolitan Toronto

2000 Jane Street, Weston
3765 Keele Street, Downsview
1225 Danforth Avenue, Toronto
851 Millwood Road, Toronto
1638 Avenue Road, Toronto
3351 Lawrence Ave. E., Scarborough
4755 Leslie Street, Willowdale
6114 Yonge Street, Willowdale
563 Gerrard Street E., Toronto
3495 Sheppard Ave. E., Scarborough
2567 Eglinton Ave. E., Scarborough
3719 Lakeshore Blvd. W., Long Branch
820 Kingston Road, Toronto
1068 Coxwell Avenue, Toronto
1760 Lawrence Ave. E., Toronto
2032 Kipling Ave. N., Rexdale
5322 Dundas St. W., Etobicoke
188 The Queensway, Toronto
1265 Lawrence Ave. W., Toronto
3810 Kingston Rd., Scarborough
829 St. Clair Ave. W., Toronto
3517 Dundas St. W., Toronto
2801 Kingston Rd., Scarborough
828 Dupont Street, Toronto
1221 Dundas St. W., Toronto
11 Bloor Street W., Toronto
415 Mount Pleasant Rd., Toronto
1338 Kennedy Road, Scarborough
5 Brock Avenue, Toronto
466 Queen Street West, Toronto
2243 Bloor Street West, Toronto
636 Bloor Street West, Toronto
2774 Victoria Park Avenue, Willowdale
2500 Danforth Avenue, Toronto
1300 Weston Road, Toronto
2296 Eglinton Avenue West, Toronto
2377 Finch Avenue West, Weston
891 Pape Avenue, Toronto
678 Sheppard Avenue W., Downsview

Metropolitan Ottawa

1677 Bank Street
942 Merivale Road
932 St. Laurent Blvd.
190 Dalhousie Street
690 Bank Street
1943 Baseline Road
1096 Wellington Street
1667 Montreal Road
Bells Corners — 3673 Richmond Road
134 Sparks Street

Metropolitan Windsor

4320 Tecumseh Rd. E., Windsor
1916 Wyandotte St. W., Windsor
7786 Wyandotte St. E., Windsor
3006 Dougall Road, Windsor
7435 Tecumseh Road E., Windsor
1797 Huron Church Road, Windsor
1485 Erie St. E., Windsor

Arnprior — 145 Madawaska Blvd.

Aurora — 130 Yonge Street

Aylmer — 80 Talbot Street West

Belleville — 97 Station Road

Blenheim — 196 Talbot St. W.

Brampton — 42 Queen Street West

Brantford — 53 Erie Avenue
— 79 Charing Cross Street
— 27 Dalhousie Street

Chatham — 346 St. Clair Street

Clarkson — 1639 Lakeshore Road East

Cobourg — 507 Division Street

Cooksville — 965 Dundas Street East
— 1162 Dundas Street West

Cornwall — 1245 Brookdale Avenue
— 1326 Second Street East

Delhi — 7 King Street

Galt — 499 Dundas Street

Hawkesbury — 827 McGill Street

Kingsville — Hwys. 18 and 18A

Leamington — 277 Erie Street South

Lindsay — 63 Lindsay Street North

London — 1683 Dundas Street East
— 37 Oxford Street West
— 1072 Adelaide Street
— 689 Hamilton Road
— 450 Wharncliffe Road

Malton — 7161 Goreway Drive

Newmarket — 655 Davis Drive

Oshawa — 474 Simcoe Street South
— 973 Simcoe Street North
— 574 King Street East

Paris — 28 Dumfries Street

Pembroke — 415 Pembroke Street

Peterborough — 786 Chemong Road
— 264 Water Street
— Highway #28

Port Credit — 615 Lakeshore Road East

Preston — 916 King Street

Renfrew — 70 Raglan North

Richmond Hill — 10459 Yonge Street

Rondeau Park

Simcoe — 472 Norfolk Street

Smith Falls — 21 Main Street

St. Thomas — 973 Talbot Street

Tilbury — Hwy. 2 and Mill Street

Trenton — 186 Front Street

Wallaceburg — 1239 Dufferin Street

Whitby — 301 Dundas Street West

RESTAURANTS

234 Bay Street, Toronto
12 Victoria Street, Toronto
5322 Dundas Street West, Etobicoke
134 Sparks Street, Ottawa

HIGHWAY LOCATIONS

Highway 401

Texaco Service Centre — Port Hope
— Kingston
— Morrisburg
— Mallorytown (North)
— Mallorytown (South)
— Woodstock

Supertest Service Centre — Tilbury
Highway No. 7 — Perth, Ontario
Highway No. 2 — Lancaster, Ontario

TAKE FIVE LOCATIONS

40 Wynford Drive, Don Mills
1262 Don Mills Road, Don Mills
101 Duncan Mills Road, Don Mills
6 Lansing Square, Willowdale
120 Sinnott Road, Scarborough

INDUSTRIAL LOCATIONS

15 — Toronto and Ottawa

**SCOTT'S KENTUCKY FRIED CHICKEN
TAKE OUTS
QUEBEC****Metropolitan Montreal**

5850 Ave. Monkland
650 Rue Elizabeth, Laprairie
351 Rue Regina, Verdun
140 Boul. Ste-Foy, Longueuil
8710 Rue Sherbrooke East, Montreal
1670 Boul. De La Concorde, Duvernay-Laval
129 Boul. D'Anjou, Chateauguay
2110 Boul. Henri-Bourassa Est, Montreal
1551 Boul. Shevchenko, Lasalle
200 Boul. Taschereau, Greenfield Park
1110 Rue Provost, Lachine
345 Boul. St-Martin, Laval
3000 Boul. St-Charles, Kirkland
5260 Boul. de Salaberry, Montreal
9205 Boul. Lacordaire, St-Leonard
1555 Rue Beaubien Est, Montreal
8575 Pie IX Blvd., Montreal
100 Rue Notre-Dame, Repentigny
4980 Chemin Des Sources, Pierrefonds
600 Boul. Henri-Bourassa Ouest, Montreal
1595 Chemin Cote-Vertu, St. Laurent
3300 Rue Masson, Montreal
1580 Boul. Cure Labelle, Laval
6625 Ave. Victoria, Montreal
5255 Ave. Du Parc, Montreal
2997 Chemin Chambly, Longueuil
1625 Ave. Cardinal, Dorval
2880 Rue Barclay, Montreal
5601 Boul. Leger, Montreal Nord
620 - 90th Avenue, LaSalle
1375 St-Jean Baptiste, Pte.-Aux-Trembles

Alma — 550 Rue Collard
Asbestos — 431 - 1st Avenue
Bagotville — 865 Ave. Bagot
Beloeil — 335 Boul. Sir Wilfrid Laurier
Cap de la Madeleine — 14 Rue Fusey
Chicoutimi-Nord — 466 Boul. Ste-Genevieve
Drummondville — 1605 Boul. St-Joseph
Gatineau — 258 Rue Notre-Dame
Hauterive — 685 Boul. Lafleche
Hull — 477 Boul. Tache
— 347 Boul. St-Joseph
Joliette — 1117 Boul. Manseau
Jonquiere — 340 Boul. De Centenaire
Matane — 969 Phare St. W.
Pointe Gatineau — 52 Boul. Greber
Rimouski — 88 Ave. Rouleau
Riviere du Loop — 115 Fraser Street
Sept-Iles — 602 Ave. Laure
Shawinigan — 1483 Rue St-Marc
Sorel — 180 Rue Fiset
St-Eustache — 104 Boul. Sauve
St-Hyacinthe — 2975 Rue Laframboise
St-Jean — 680 Boul. Du Seminaire
St-Jerome — 291 Boul. Des Laurentides
Ste-Agathe — 590 Rue Principale
Ste-Therese — 60 Boul. Labelle
Trois Rivières — 1080 Boul. Des Recollets
Valleyfield — 314 Rue Larocque
Victoriaville — 620 Rue Notre-Dame Ouest

HIGHWAY LOCATIONS

Laurentian Autoroute — La Porte Du Nord,
St-Jerome

Notes

SCOTT'S RESTAURANTS CO. LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

	<u>July 14, 1974</u> <i>(unaudited)</i>	<u>Dec. 30, 1973</u> <i>(audited)</i>
Assets		
Current		
Cash.....	\$ 4,678,574	\$ 4,516,390
Accounts Receivable, Inventories and Miscellaneous.....	<u>1,007,854</u>	<u>739,029</u>
	5,686,428	5,255,419
Franchise at cost less amortization.....	2,524,889	2,593,538
Mortgage—due 1978....	223,532	225,099
Fixed Assets at Cost less depreciation.....	<u>19,275,495</u>	<u>18,196,712</u>
	<u>\$27,710,344</u>	<u>\$26,270,768</u>
Liabilities		
Current		
Accounts payable and accrued expenses...	\$ 3,380,464	\$ 3,190,477
Current portion of long term debt.....	4,024	4,024
Income Tax payable...	<u>132,496</u>	<u>791,786</u>
	3,516,984	3,986,287
Long Term Debt.....	68,192	70,000
Deferred Income Tax.....	<u>603,470</u>	<u>587,146</u>
	4,188,646	4,643,433
Shareholders Equity		
Share Capital (8,384,520 shares at July 14, 1974).....	5,736,106	5,736,106
Retained Earnings.....	<u>17,785,592</u>	<u>15,891,229</u>
	<u>23,521,698</u>	<u>21,627,335</u>
	<u>\$27,710,344</u>	<u>\$26,270,768</u>

AR49

Scott's Restaurants Co. Limited



Interim Report to Shareholders

28 WEEKS ENDED JULY 14, 1974

SCOTT'S RESTAURANTS CO. LIMITED

AND SUBSIDIARY COMPANIES

(unaudited interim report)

CONSOLIDATED STATEMENT OF EARNINGS

	<i>For the 28 weeks ended</i>	
	<i>July 14, 1974</i>	<i>July 15, 1973*</i>
Sales	\$35,115,078	\$29,254,371
Earnings before depreciation and amortization	5,665,800	5,173,383
Provision for depreciation and amortization of franchise	792,211	645,874
	4,873,589	4,527,509
Income from Investments	215,017	47,668
Earnings before Income Tax	5,088,606	4,575,177
Income Tax	2,188,100	1,967,326
Net Earnings	\$ 2,900,506	\$ 2,607,851
Earnings per share	34.6¢	31.1¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS

Net Profit for the period	\$ 2,900,506	\$ 2,607,851
Add expenses not requiring cash expenditure including depreciation amortizations and deferred income tax	654,499	715,999
Funds provided by operations	3,555,005	3,323,850
Proceeds from shares issued under employee option plan	—	24,000
Other	1,566	—
	\$ 3,556,571	\$ 3,347,850

APPLICATION OF FUNDS

Additions to Fixed Assets—Net	1,648,309	1,551,805
Reduction of Long Term Debt	1,808	1,000
Mortgage Receivable Due 1978	—	210,000
Dividends	1,006,142	—
	\$ 2,656,259	\$ 1,762,805

INCREASE IN WORKING CAPITAL	\$ 900,312	\$ 1,585,045
Working Capital (deficiency) beginning of period	1,269,132	(1,121,563)
Working Capital (deficiency) end of period	\$ 2,169,444	\$ 463,482

*The 1973 Net Earnings have been adjusted to give effect to the actual income tax rate of 43% applicable to that year.